

VZCZCXRO9010  
PP RUEHDBU  
DE RUEHTA #1644/01 1300110  
ZNR UUUUU ZZH  
P 100110Z MAY 06  
FM AMEMBASSY ALMATY  
TO RUEHC/SECSTATE WASHDC PRIORITY 5216  
INFO RUEBAAA/DEPT OF ENERGY WASHDC PRIORITY  
RUEHMO/AMEMBASSY MOSCOW PRIORITY 1231  
RHEHNSC/NSC WASHDC  
RUEHEK/AMEMBASSY BISHKEK 7545  
RUEHAH/AMEMBASSY ASHGABAT 6973  
RUEHIL/AMEMBASSY ISLAMABAD 2040  
RUEHNT/AMEMBASSY TASHKENT 7519  
RUEHDBU/AMEMBASSY DUSHANBE 1726  
RUEHIT/AMCONSUL ISTANBUL 0727  
RUEHBUL/AMEMBASSY KABUL 0196  
RUEHSI/AMEMBASSY TBILISI 2203  
RUEHKV/AMEMBASSY KIEV 2447

UNCLAS SECTION 01 OF 03 ALMATY 001644

SIPDIS

SENSITIVE

SIPDIS

DEPARTMENT FOR EB/ESC; SCA/FO (MANN); SCA/CEN (MUDGE)  
DEPARTMENT OF ENERGY FOR GETTO (DOE/SI); BURGESSON (DOE/SI);  
WILLIAMSON (DOE/SI); HARBERT (DOE/PI); THOMPSON (PI-21)

NSC FOR MILLARD, MERKEL

E.O. 193056: N/A

TAGS: [PREL](#) [ECON](#) [ENRG](#) [ETRD](#) [KZ](#)

SUBJECT: KAZAKHSTAN: A/S BOUCHER MEETS WITH ENERGY MINISTER  
IZMUKHAMBETOV

11. (SBU) Summary: Kazakhstan plans to build a nuclear power plant in order to address energy deficits in the south and to expand uranium production, Minister of Energy and Mineral Resources Izmukhambetov told Assistant Secretary Boucher and Special Assistant to the President Millard. As oil production increases, Kazakhstan is working to expand the capacity of both the Caspian Pipeline Consortium and Atyrau-Samara pipelines. President Nazarbayev approved plans to sign the intergovernmental agreement with Azerbaijan on use of the Baku-Tblisi-Ceyhan pipeline in June. A new pipeline to China is expected to come on line at the same time. Izmukhambetov said that Kazakhstan would take Concoco-Phillips' interest in the N Block into account. He suggested that WTO members condition Russia's WTO entry on agreement on a trans-Caspian gas pipeline. Finally, Izmukhambetov highlighted Kazakhstan's responsible management of its oil revenues to support economic diversification. End summary.

12. (U) Assistant Secretary for South and Central Asia Richard Boucher and Special Assistant to the President Elisabeth Millard met with Kazakhstani Minister of Energy and Mineral Resources Batkykoz Izmukhambetov on May 5 in Astana. The Ambassador, DTRA chief (control officer), and POEC chief (notetaker) also participated.

13. (SBU) Assistant Secretary Boucher opened the meeting by noting the importance of energy issues to the bilateral relationship and the important role played by U.S. firms in Kazakhstan. The U.S. is interested in building upon existing cooperation to look at new areas such as the export of electricity from Kazakhstan to Afghanistan and Pakistan, he commented.

-----  
Plans for Nuclear Power Plant  
-----

¶4. (SBU) Izmukhambetov told Boucher that in addition to oil and gas, his Ministry was also responsible for electricity generation, coal, nuclear energy, petrochemicals, minerals, and other sub-surface resources. Kazakhstan is focused on ensuring adequate energy supplies throughout the country. At present there are surpluses in the north and growing deficits in the south. The Minister told Boucher that Kazakhstan was planning to build a nuclear power plant in the near future to address this issue.

¶5. (SBU) Izmukhambetov said that Kazakhstan needed to use its uranium reserves, estimated at 20% of total global reserves, for power generation rather than just exporting ore. Currently third in terms of production, Kazakhstan planned to surpass Canada and Australia by increasing production to 14,000-15,000 tons per year. The Kazakhstani government is currently examining various types and models of nuclear power plants, he said. Boucher noted that Amb. Saudabayev had raised this issue with him; the U.S. would look for ways to cooperate with Kazakhstan, including possible Nuclear Regulatory Commission programs on oversight and safety. Boucher noted that President Bush recently approved several programs to develop new reactor designs that would be safer and easier to operate, in order to expand the use of nuclear energy in the U.S.

-----  
Oil Production and Pipelines  
-----

¶6. (SBU) At present, 80% of heating is generated using coal, according to Izmukhambetov. Kazakhstan has over 35 billion tons of coal reserves, over three trillion cubic meters of natural gas, and over 30 billion barrels of proven oil

ALMATY 00001644 002 OF 003

reserves. Izmukhambetov said that total oil reserves are estimated at over 100 billion barrels. Each year Kazakhstan extracts 60 million tons of oil; that figure will rise to 90 million tons by 2010, according to the Minister.

¶7. (SBU) Right now oil is exported through two pipelines, the Caspian Pipeline Consortium (CPC) pipeline and the Atyrau-Samara pipeline. Izmukhambetov explained that in the long term, Kazakhstan plans to expand the capacity of the Caspian Pipeline Consortium route to 60-70 million tons per year, and the capacity of the Atyrau-Samara route to 25 million tons per year. The Atasu-Alashankou oil pipeline to China will come on line in late May or early June, Izmukhambetov said; initial capacity will be 10 million tons per year, rising to 20 million in the future. The Minister informed Boucher that on May 4, President Nazarbayev had approved his proposal to finalize the Baku-Tblisi-Ceyhan (BTC) intergovernmental agreement with Azerbaijan in May and to sign it in mid-June.

¶8. (SBU) Boucher asked whether agreement had been reached on CPC expansion. Izmukhambetov explained that the main issues had been resolved, but Russia was conditioning final agreement on Kazakhstani support for the Burgas-Alexandroupolis Bosphorus bypass pipeline. Kazakhstan was still waiting for specifics on what the terms of participation in the project would be. Izmukhambetov emphasized that Kazakhstan would continue to pursue agreement on expansion of capacity of the Caspian Pipeline Consortium route, as it was in the interest of both Kazakhstan and Russia. Nazarbayev had told Putin in Moscow, however, that if the Russian government would not agree to expansion, Kazakhstan would shift the bulk of its oil exports to the Baku-Tblisi-Ceyhan and Atasu-Alashankou pipelines. This would leave no room for the volumes that Russia wanted to send through the Atasu-Alashankou pipeline.

¶9. (SBU) Boucher asked about Kazakhstan's plans for new exploration and development of oil resources. He noted that Conoco-Phillips is interested in participating in the N

block. Izmukhambetov said that there were no plans for new tenders in 2006. Kazakhstan would take Conoco-Phillips' interest in participating in the N block into consideration.

-----  
Trans-Caspian Gas Pipeline  
-----

¶10. (SBU) Izmukhambetov said that Kazakhstan supported the idea of a trans-Caspian natural gas pipeline, as it presently is forced to sell its gas to Russia "for close to nothing." He noted that he had discussed this idea with Secretary of Energy Bodman during the recent World Energy

SIPDIS

Forum in Qatar. Izmukhambetov explained that the agreement of all Caspian states would be necessary for such a project to begin; he suggested that WTO members obtain Russia's commitment not to impede the project before signing bilateral agreements on WTO accession. Izmukhambetov said that Kazakhstan could export significant quantities of natural gas to Europe through such a pipeline. Boucher noted that the U.S. is funding a feasibility study for the project.

¶11. (SBU) Izmukhambetov said that during their recent meeting in Moscow, President Nazarbayev had asked President Putin for a proposal within one month regarding the natural gas that is expected to be produced in Karachaganak beginning in 2012. The Minister said that he would go to Moscow a few days before Nazarbayev's scheduled May 20 meeting with Putin to discuss the Russian offer.

¶12. (SBU) Boucher asked Izmukhambetov whether the proposed

ALMATY 00001644 003 OF 003

trans-Afghan gas pipeline, which would bring Turkmen gas to Pakistan, was commercially feasible. Izmukhambetov replied that the idea made sense from a commercial point of view. Kazakhstan was concerned, however, because Turkmenbashi had promised to sell the same gas to Russia, China, and now Pakistan.

-----  
Management of Oil Revenues  
-----

¶13. (SBU) Boucher told Izmukhambetov that the U.S. regarded Kazakhstan as a model not only for how it had developed its oil sector, but also for the way it managed the oil revenues through the National Fund. Izmukhambetov said that the government was proud of having assured the complete stability and transparency of all contracts. He noted that Kazakhstan had been among the first to support Prime Minister Blair's Extractive Industry Transparency Initiative (EITI). Unlike neighboring countries, Izmukhambetov said, Kazakhstan was investing its oil revenues to diversify the economy, introduce new technology, and train young people.

ORDWAY